Escalating Financial Inclusion Through Branchless Banking as a Solution to Poverty Eradication

Team: Omotesando
Increasing financial inclusion can reduce poverty rate

Source: Worldbank
Financial inclusion in ASEAN Countries is still low

Percentage of unbanked per ASEAN Countries

- Philippines
- Lao PDR
- Myanmar
- Vietnam
- Indonesia
- Cambodia

Percentage of total adult population who do not use formal or semiformal financial services

- 0-25%
- 26-50%
- 51-75%
- 76-100%

Source: McKinsey Report, Worldbank
People do not demand financial service

Account at financial institution based on income (in cumulative % for Indonesia, Cambodia, Lao PDR, Myanmar, Philippines, Vietnam)

Account at financial institution based on education level (in cumulative % for Indonesia, Cambodia, Lao PDR, Myanmar, Philippines, Vietnam)

Payment using cash vs. non-cash (in cumulative % for Indonesia, Cambodia, Lao PDR, Myanmar, Philippines, Vietnam)

Source: Worldbank
Financial infrastructure supply is inadequate

- **Number of ATM per 100,000 adults**
  - Cambodia: 5.87
  - Lao PDR: 10.6
  - Indonesia: 16.79
  - Philippines: 17.23
  - Vietnam: 19.79
  - Hong Kong: 49.35
  - Singapore: 58.63
  - Japan: 128.56

- **Commercial bank branches per 100,000 adults**
  - Lao PDR: 2.49
  - Vietnam: 3.57
  - Cambodia: 4.16
  - Philippines: 7.85
  - Indonesia: 8.69
  - Singapore: 9.96
  - Hong Kong: 23.7
  - Japan: 33.9

**US$ 400,000**
Average cost of building physical bank office in Indonesia

**US$ 9,000**
Average cost of initial installment and maintenance of ATM in Indonesia

Costly infrastructure obstruct the deployment of financial inclusion

Source: Worldbank, Kompas News, Republika News
MSMEs is crucial but MSMEs *can’t get loans*

MSMEs contribution to employment

- MSMEs: 57.8%
- Non MSME: 97.2%

MSMEs contribution to GDP

- MSMEs: 97.2%
- Non MSME: 57.8%

MSMEs source of funding in ASEAN

- **Bank Loans:** 5%
- **Equity or Stock Sales:** 1%
- **Internal Funds:** 6%
- **Others:** 2%
- **Supplier Credit:** 86%

Only 38% of MSMEs claim, they can get access to proper financing

They rely on internal fund

Source: Worldbank, ADB
Solution: Increasing access to financial service by *branchless banking*

**Benefit for Customers**
- No longer need to use scarce time and financial resources to travel
- More flexible deposit, transaction, and loan amount
- Affordable transaction cost

**Benefit for Banks and Agents**
- For banks: control risk, manage cost, enable growth
- For agents: new source of income, get financial knowledge

**With Simplified Due Diligence**
- Full name
- Residential address
- Place and date of birth
- Work details

Source: CGAP, Bank Indonesia
Implementation Roadmap

**Phase 1**
- Preparation & Development
  - Business process, organization design, and change management
  - Risk management
  - Distribution channel management
  - Training system
  - Audit
  - Technology
  - Related legal license

**Phase 2**
- Enhancement
  - Implementing Pilot Project in several areas with detail KPI
  - Evaluation
  - Improvement from the Pilot Project

- Expansion
  - Commercial roll out by:
    - Creating partnership with telco company and technology startups
    - Branding and marketing
    - Reaching out customers

**Phase 3**
- Tech Integration
  - Evaluating area of improvement
  - Integrating more advance technology to enhance business process, such as blockchain

Legal permission from government, central bank
Growth will be slow if branchless banking is not implemented.

Financial access with branchless banking:
- Growth: 80-90%

Financial access without branchless banking:
- Growth: 10-20%

Financial Infrastructure with branchless banking:
- Total: 3.590
- Source: UN

Financial Infrastructure without branchless banking:
- Total: 3.590
Q&A
Appendix 2: Mobile penetration in ASEAN

Mobile subscription per 100 people

Source: Worldbank
Appendix 3: Related stakeholders for branchless banking

Source: EY
Appendix 4: Original SAP Charts
Appendix 6: Original SAP Charts (cont.)

Relationship Between Fil and Poverty Rate

Country: Indonesia
- Financial Inclusion Index: 24.00
- Pop Below the Poverty Line(%): 36.00

But has Asm financially in.

It can be seen from the list of countries including India, Vietnam, Lao PDR, it possesses low Financial Index making them worse off.

Then, how to improve financial inclusion?

Index is proved to have less population live under poverty.

Country: Lao PDR
- Financial Inclusion Index: 4.22
- Pop Below the Poverty Line(%): 46.00

But has Asm financially in.

It can be seen from the list of countries including India, Vietnam, Lao PDR, it possesses low Financial Index making them worse off.

Then, how to improve financial inclusion?

Index is proved to have less population live under poverty.

Country: Philippines
- Financial Inclusion Index: 19.63
- Pop Below the Poverty Line(%): 37.00

But has Asm financially in.

It can be seen from the list of countries including India, Vietnam, Lao PDR, it possesses low Financial Index making them worse off.

Then, how to improve financial inclusion?

Index is proved to have less population live under poverty.

Country: Cambodia
- Financial Inclusion Index: 16.41
- Pop Below the Poverty Line(%): 38.00

But has Asm financially in.

It can be seen from the list of countries including India, Vietnam, Lao PDR, it possesses low Financial Index making them worse off.

Then, how to improve financial inclusion?
Appendix 7: Original SAP Charts (cont.)

Number of ATM per 100,000 adults

- Cambodia: 5.87
- Lao PDR: 10.60
- Philippines: 16.79
- Vietnam: 17.23
- Indonesia: 19.79
- Hong Kong SAR, China: 49.35
- Singapore: 58.63
- Japan: 128.56

Commercial Bank Branches per 100,000 adults

- Lao PDR: 2.49
- Vietnam: 3.57
- Cambodia: 4.16
- Hong Kong SAR, China: 7.65
- Singapore: 8.69
- Indonesia: 9.96
- Japan: 23.70
- Thailand: 33.90
Appendix 8: Original SAP Charts (cont.)
Appendix 9: Original SAP Charts (cont.)

Thailand

Myanmar

Indonesia
Appendix 10: SDG 8 Focus Objectives

- Promote development-oriented policies that support creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

- Strengthen the capacity of financial institutions to expand access to banking, insurance and financial services for all

- Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries
Appendix 11: Data set